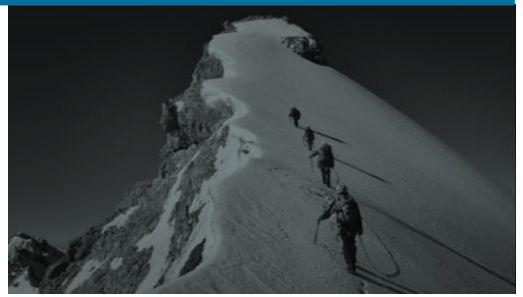


Q3 2023

DEALS WEST

WESTERN CANADA'S CORPORATE TRANSACTION QUARTERLY



Q3 2023 M&A Market Update

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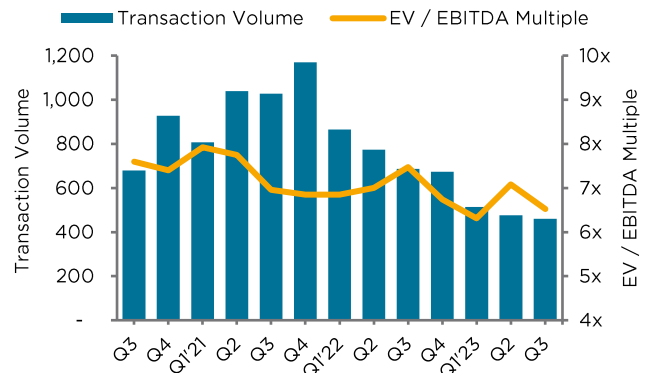
Life After the Sale: Transitioning Role

Capital West is Hiring for Growth!

MID-MARKET M&A TRANSACTIONS IN NORTH AMERICA

- Average EBITDA multiple of 6.5x in Q3'23 – consistent with recent quarters
- Mid-market transaction volumes in Q3'23 comparable with prior quarter but declined 33% from Q3'22 – primarily driven by the impact of higher interest rates
- Buyers have shifted focus to businesses with strong cash generation and less vulnerability to a slower economy

TRANSACTION VOLUME & AVERAGE EBITDA MULTIPLE (\$10M TO \$500M)

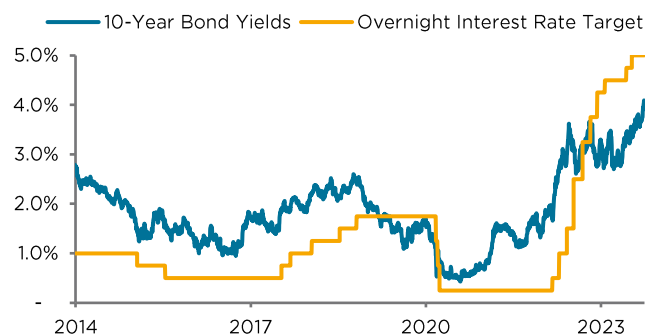


Source: Capital IQ

CANADIAN INTEREST RATES

- In July, Bank of Canada raised rates a further 0.25%, bringing overnight rate to 5% - a level last seen in 2001
- At its recent meeting on October 25, Bank of Canada held overnight rate at 5% as inflation rates are tapering
- The market does not anticipate further rate hikes at subsequent meetings; however, the overall sentiment is a “higher for longer” interest rate policy

GOVERNMENT OF CANADA 10-YEAR BOND YIELD & DAILY OVERNIGHT TARGET RATE



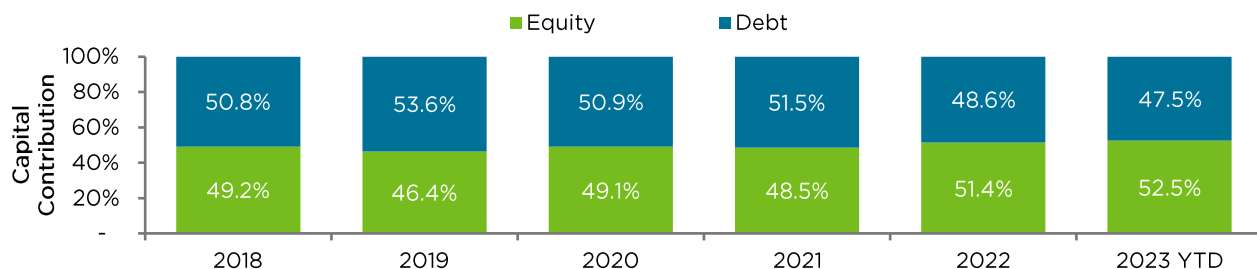
Source: Bank of Canada

Q3 2023 M&A Market Update (Continued)

EQUITY AND DEBT CONTRIBUTION ON NORTH AMERICAN DEALS

Equity contributions on transactions in YTD Q3'23 increased to 52.5%, up from 51.4% in 2022. Higher interest rates continue to increase equity contributions from buyers due to higher debt service costs.

EQUITY & DEBT CONTRIBUTION IN NORTH AMERICA (\$10M TO \$500M)



Sources: Capital IQ, GF Data

TOP 10 M&A DEALS IN WESTERN CANADA

Western Canada's top 10 M&A deals in Q3'23 continue to be led by the energy sector, driven by strong energy prices and net-zero corporate goals. The largest deal announced in Q3'23 was NYSE-listed Occidental Petroleum's \$1.5 billion acquisition of Squamish, BC based Carbon Engineering – a leader in direct air capture decarbonization technology.

TOP 10 PUBLICLY ANNOUNCED WESTERN CANADIAN M&A DEALS IN Q3 2023

Date	Industry	Target	Target HQ	Buyer	Value (C\$M)
Aug 15, 2023	Decarbonization Technology	Carbon Engineering	Squamish, BC	Occidental Petroleum (NYSE:OXY)	1,482
Sep 8, 2023	Mining	Nova Royalty (TSXV:NOVR)	Vancouver, BC	Metalla Royalty & Streaming (TSXV:MTA)	190
Jul 13, 2023	Decarbonization Technology	DevvStream Holdings	Vancouver, BC	Focus Impact Acquisition Corp. (NASDAQ:FIAC)	145
Sep 7, 2023	Oil & Gas	CWC Energy Services	Calgary, AB	Precision Drilling (NYSE and TSX:PDS)	141
Sep 6, 2023	Forestry	Spray Lake Sawmills	Cochrane, AB	West Fraser Timber (NYSE and TSX:WFG)	140
Jul 31, 2023	Oil & Gas	Great North Wellhead	Edmonton, AB	Dril-Quip (NYSE:DRQ)	110
Jul 5, 2023	Oil & Gas	Boulder Energy	Calgary, AB	Highwood Asset Management (TSXV:HAM)	100
Sep 15, 2023	Oil & Gas	Essential Energy Services (TSX:ESN)	Calgary, AB	Element Technical Services	78
Jul 31, 2023	Oil & Gas	TriMark Tubulars	Calgary, AB	Marubeni-Itochu Tubulars America	61
Jul 5, 2023	Oil & Gas	Castlegate Energy	Calgary, AB	Highwood Asset Management (TSXV:HAM)	41

Busy Q3 for Capital West – 5 Deals Closed

stridecapital
MOVING BUSINESS FORWARD

Sale to

servus
credit union

Advised the Seller

- Stride Capital is a Calgary based financing and leasing provider for new and used industrial equipment
- Servus Credit Union provides a full line of secure financial services through 100+ branches across 59 communities in Alberta

PIT STOP
PORTABLES

Sale to

Total Sanitation
Services
TRIVEST

Advised the Seller

- Pit Stop Portables is Western Canada's largest rental and service provider of portable toilets, executive washrooms, and septic services
- Total Sanitation Services is an Ontario based portable toilet rental business and is a portfolio company of US private equity firm Trivest Partners

VEDDER
TRANSPORTATION GROUP

Sale to

TFI
International

Advised the Seller

- Vedder Transportation Group is the industry leader in tank truck transport of food-grade liquids in Western Canada
- TFI International (NYSE and TSX:TFII) is a North American transportation and logistics services provider

WHISTLEBLOWER
SECURITY

Sale to

Case IQ

Advised the Seller

- Whistleblower Security is a leading provider of ethics and compliance reporting solutions, with a comprehensive software platform complemented by a robust telephone hotline system
- Case IQ is an investigative case management software provider owned by US private equity firm Resurgens Technology Partners

Managed IT
Services Company

Sale to

Strategic Buyer

Advised the Seller

- Seller is a leading managed IT service provider in Canada
- Buyer is a publicly listed communications technology company

Life After the Sale: Transitioning Role

One of the hardest decisions a founder can make is to sell their company. After the transaction closes, the next key challenge to navigate is the transition away from day-to-day involvement with the business. This is a period when the founder steps into the role of a strategic advisor, contributing to the company's success from a new vantage point.

Capital West's entrepreneurial nature and 30+ year track record position us well to guide founders through this exciting yet challenging time. Listed below are key points to consider for founders during the transition period following the sale of their company.



CHANGE IN ROLE

In most transactions, the buyer will require the founder to remain with the company for a mutually agreed period post-closing to help with the transition. This typically accompanies a change from the role of CEO to an advisor or board position. If the founder can adopt a collaborative stance with the buyer and be open to different approaches and perspectives, it helps to ensure the most successful transfer of control, given the inevitable changes in some aspects of operating the business.



LENGTH OF INVOLVEMENT POST-TRANSACTION

The length of the transition period depends on the transaction type and buyer. If the company is sold to a competitor, the transition might happen more quickly, and the founder often exits the business within 12 months. If the company is sold to a financial buyer, the transition is usually more gradual, typically over one to three years. Additionally, in transactions involving less than a 100% sale of the business, founders will have continued involvement in the business as a minority shareholder.



SELECTION OF SUCCESSOR

The founder can be significantly involved in the appointment of their successor, especially in situations where the founder has retained minority ownership. This typically involves working with the buyer to identify potential candidates, both internal and external, and helping to develop the next generation of executive leadership.



OPERATIONAL KNOWLEDGE TRANSFER

The wealth of operational knowledge amassed by the founder is a vital resource for the new CEO and owners. The founder will typically help the buyer retain key employees as well as advise on existing stakeholder relationships, such as significant customers and vendors. This transfer of knowledge and relationships is essential for preserving the strength of the business following the sale.

Life After the Sale: Transitioning Role (Continued)**POTENTIAL FOR FURTHER VALUE CREATION**

In instances of a partial sale of the company, the transition from majority to minority shareholder allows for a continued interest in the company's success and potential for further appreciation in value, particularly when aligned with a buyer that can execute and accelerate the long-term growth strategies of the company.

Capital West has advised on numerous transactions where the founder retained a minority stake and oversaw a successful transition of their day-to-day involvement in the business. Select examples include:

 FIREPLACE MANUFACTURER Majority equity investment by NIBE Industrier <i>Advised the Seller</i>	 HOME FURNISHINGS Majority equity investment by TorQuest Partners <i>Advised the Seller</i>	 SEAPLANE AIRLINE Majority equity investment by Birch Hill Equity Partners <i>Advised the Seller</i>	 INDUSTRIAL MAINTENANCE Majority equity investment by Yellow Point Equity Partners <i>Advised the Seller</i>
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Gaining a full understanding of how the founder's role may evolve and the timeline for stepping away from day-to-day involvement with the business post-sale is crucial for a smooth transition phase and enhances the likelihood of preserving and building on the company's success.

Capital West is Hiring for Growth!

As Capital West continues to grow, we are seeking candidates for Associate and Vice President positions to add to our team! We are looking for individuals who are keen to be major contributors in transaction execution and business development activities, for divestitures, mergers and acquisitions, strategic financings, and other financial advisory assignments. Ideal candidates would have at least two years of M&A advisory experience. For further information, please contact [Kim Dixon](#).

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